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Finding money to reverse military pension cuts is latest budget battle

By [Jacqueline Klimas](#)

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All sides say they want to undo the cut to military [retirement](#) benefits approved by [Congress](#) in last month's budget deal — but finding the money to pay for it is proving to be a major problem.

Democrats suggest closing the tax breaks that companies get for income earned outside the U.S., while [GOP](#) lawmakers have proposed everything from scaling back [U.S. Postal Service](#) deliveries to cutting benefits that go to illegal immigrant parents.

With each side resisting the other's plans, the military [retirement benefit](#) fight joins unemployment insurance and a looming debt-limit increase as indications that the spending battles of the last three years aren't going away.

"I don't think there's any way of guessing what the ultimate pay-for might be, but the point is that all of these proposals have been debated many times before," said [Paul Van de Water](#), a senior fellow at the [Center on Budget and Policy Priorities](#). "On the tax side, obviously Republicans are generally resistant to raising taxes in any form, whereas on the Democratic side of the aisle, they're going to be resistant to use cuts in domestic programs to pay for higher defense spending."

The pay cut for military retirees is part of the larger [budget](#) deal that [Rep. Paul Ryan](#), Wisconsin Republican, and [Sen. Patty Murray](#), Washington Democrat, struck last month.

That agreement, which President [Obama](#) signed into law on Dec. 26, cut the cost-of-living adjustment for military retirees under age 62 by 1 percent. It also reduced pensions for civilian federal workers, and raised other fees to eliminate some of the sequestration budget cuts due to hit in mid-January.

The military retirement pay cuts will save \$6 billion over 10 years and go into effect in 2015.

To cancel those cuts, Democrats and Republicans are scrambling to find other savings or tax increases.

But the Ryan-[Murray](#) budget deal already tapped many of those potential savings, making the current battle even more difficult, Mr. Van de [Water](#) said.

“I wouldn’t say that everything has necessarily already been done, but it’s not going to be easy to find an alternative,” he said. “This whole episode shows that even the stuff that was hoped to be something that could be agreed upon in retrospect wasn’t that easy after all.”

[Chris Edwards](#), editor of DownsizingGovernment.org at the Cato Institute, said those lawmakers interested in finding spending cuts should look at the “Wastebook,” an annual report from Sen. Tom Coburn, Oklahoma Republican, which laid out \$30 billion in government waste.

[Mr. Edwards](#) also encouraged reducing federal subsidies for energy companies or for Amtrak or the [Postal Service](#). But he said he doesn’t expect lawmakers to make real spending reductions.

“They’ll eliminate this cut, but I suspect they’ll replace it with phony smoke and mirror offsets,” he said.

Not everyone believes the military retirement pay cut should be undone.

[Mr. Ryan](#), one of the deal’s architects, defended the cut in an op-ed in USA Today last month, saying that the military retirement system needs reforms and the retirement system could stand the trims.

Still, even he and [Mrs. Murray](#) agreed they goofed when they included disabled veterans in the cuts.

The Senate Budget Committee chairwoman said last month that she will work to fix that “technical error.”